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# BakerHostetler

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August 26, 2016

**CONFIDENTIAL**

**VIA E-MAIL**

Federal Election Commission  
Office of Complaints Examination  
and Legal Administration  
Attn: Donna Rawls, Paralegal  
999 E Street, NW  
Washington, DC 20436

Re: MUR# 7073, *Karen Schutte v. Meluskey for U.S. Senate, Inc.*

Dear Ms. Rawls:

We have been retained as counsel for Respondent Meluskey for U.S. Senate, Inc. (the "Meluskey Committee"), the principal campaign committee for Alex Meluskey ("Meluskey"), in the above-referenced matter. Earlier this year, Meluskey suspended his campaign for Senate. He is no longer actively seeking the office of United States Senator.

In her complaint, Karen Schutte, a supporter and campaign staff member of Meluskey's opponent, Kelli Ward, ("Schutte") alleges that the Meluskey Committee violated the Federal Election Campaign Act of 1971 (the "Act") by (1) failing to disclose the source of funding for a loan from Meluskey to the Meluskey Committee to the Federal Election Commission (the "Commission"); (2) failing to disclose a line of credit purportedly used for campaign funding; (3) failing to disclose expenditures to Optimum Graphics, an entity owned and controlled by

Atlanta Chicago Cincinnati Cleveland Columbus Costa Mesa Denver  
Houston Los Angeles New York Orlando Philadelphia Seattle Washington, DC

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Meluskey since 1983; (4) operating as the Arizona State Director for a purportedly fictitious entity, The Fair Tax Group; and (5) accepting an excessive, in-kind contribution from the Fair Tax Group for radio time for his long-running, news and commentary radio program.

The Commission should promptly dismiss this matter. Candidate Ward's staff member simply makes conclusory allegations against the Meluskey Committee without alleging facts showing specific violations of the Act. In fact, each of the allegations against the Meluskey Committee easily are refuted either by the documents submitted by Schutte or by a quick Internet search. Consequently, the matter should be dismissed without further action.

**I. Background**

On or about August 2013, Meluskey began airing a radio program to discuss current events and provide commentary on items of interest to the citizens of Arizona. See Declaration of Alex Meluskey at ¶ 2, attached as Exhibit A. Meluskey announced his candidacy for U.S. Senate, and on March 10, 2015, the Meluskey Committee registered with the Commission. See Meluskey Declaration at ¶ 3. On July 31, 2016, Meluskey suspended his campaign for the United States Senate. Meluskey's radio show remains on-air as a weekly news and commentary program. See Meluskey Declaration at ¶ 4.

**II. Facts**

**A. The Meluskey Committee Properly Disclosed All Loans**

The Meluskey Committee properly disclosed all loans from Meluskey, and Meluskey properly disclosed all assets. Schutte alleges that Meluskey "reports no assets" to the Senate Ethics Commission. This allegation is demonstrably false. As disclosed on Meluskey's Financial Disclosure, attached to Schutte's complaint, Meluskey lists the value of his company,

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Optimum Graphics USA, LLC, as having a value of between \$1,000,001 - \$5,000,000. Meluskey also reports annual income between \$1,001 - \$1,000,000. *See* Meluskey Declaration at ¶ 7. He lists other annual income as \$225,749.00. *Id.* As disclosed on Meluskey's August 15, 2016 Pre-Primary Report, Meluskey had loaned his campaign \$744,273.02. *See* Meluskey Declaration at ¶ 5. That amount remains an outstanding debt and obligation owed by the Meluskey Committee. *See* Meluskey Declaration at ¶ 8. As the documents submitted by Schutte show, Meluskey has significant assets and the ability to loan his campaign the amount listed on his disclosure reports. *See* Meluskey Declaration at ¶ 6. The attachments provided by Schutte expressly contradict her complaint.

**B. Meluskey Had No Reason to Disclose a Line of Credit on His Home**

The Meluskey Committee was not required to disclose the refinanced loan that Meluskey entered into for his home. Schutte, without any support, contends that Meluskey financed his campaign by way of refinancing his home. Schutte has not presented a single fact in her complaint supporting this allegation. She simply concludes, based on the fact the refinancing occurred, that additional funds made available to Meluskey were loaned to this campaign. This allegation is untrue.

Meluskey, an accomplished and successful businessman, simply made a good financial decision to refinance his home on October 15, 2015. *See* Meluskey Declaration at ¶ 9. A simple look at mortgage rates in 2015 show that refinance rates in October 2015 were some of the lowest rates since May 2013 <http://www.hsh.com/mtghst/mortgage-rates-by-product/30-Year-FRM/>. There is no provision in the Act for the FEC to level a sanction against Mr. Meluskey because he made a good business decision to refinance his home. The funds that Meluskey

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received from the refinancing were used for his personal use, not to finance his campaign. *See* Meluskey Declaration at ¶ 10. This refinancing of his home was not a loan that was required to be disclosed in accordance with 11 C.F.R. § 100.82.

**C. The Meluskey Committee Disclosed All Expenditure to Optimum Graphics, LLC**

The Meluskey Committee has disclosed all expenditures to Optimum Graphics and all other vendors. Schutte alleges, again without taking the time to review any disclosure reports filed by the Meluskey Committee, that the Meluskey Committee did not disclose expenditures to Optimum Graphics, an entity owned by Meluskey since 1983. *See* Meluskey Declaration at ¶ 11. As shown on the disclosure reports, the Meluskey Committee disclosed the following payments to Optimum Graphics:

| VENDOR               | DATE       | AMOUNT   |
|----------------------|------------|----------|
| Optimum              | 05/07/2015 | \$1,187  |
| Optimum              | 06/09/2015 | \$1,243  |
| Optimum Graphics USA | 04/18/2016 | \$8,566  |
| Optimum Graphics USA | 04/18/2016 | \$6,303  |
| Optimum Graphics USA | 04/18/2016 | \$9,292  |
| Optimum Graphics USA | 04/21/2016 | \$14,529 |
| Optimum Graphics USA | 04/21/2016 | \$8,773  |

As shown in the table above, the Meluskey Committee disclosed \$49,893 in disbursements to Optimum Graphics. *See id.* These disclosed disbursements were paid in the standard billing cycle at fair market rates. *See* Meluskey Declaration at ¶ 12. Any additional payments to

Optimum Graphics will be disclosed on future filings with the Commission. *See* Meluskey Declaration at ¶ 13.

**D. FAIRtax is Not a Fictitious Entity, and Meluskey is the Arizona State Director**

FAIRtax is a nationally known organization. Schutte, however, claims that she was “unable to find any information on this group he claims to represent.” As is clear from Schutte’s complaint, she made no effort to confirm or provide support for a single allegation against Meluskey or the Meluskey Committee. FAIRtax is easily found on the Internet at <http://fairtax.org/>. *See* Meluskey Declaration at ¶ 14. As is readily available on its website, FAIRtax is “solely dedicated to replacing the current income tax code with a national retail-level consumption tax.” *See* <https://fairtax.org/about>. Moreover, Lori Klein, a founder of the organization, publicly acknowledges that Meluskey is the FAIRtax State director. This information is readily available on the Internet. *See* <http://meluskey.nationbuilder.com/klein>. *See* Meluskey Declaration at ¶ 15.

**E. The Meluskey Committee Did Not Accept An Illegal, In-Kind Contribution From FAIRtax for His Long Running Radio Program**

The Meluskey Committee did not accept an illegal, in-kind contribution from FAIRtax in violation of 52 U.S.C. § 30116(a)(7)(B)(i). FAIRtax has never given Meluskey any money to air his radio program. *See* Meluskey Declaration at ¶ 19. Since 2013, Meluskey’s radio program has aired “in order to better inform the public of the number one option they have to eliminate the IRS and change the current tax system to one where everybody is better off.” This program has aired weekly on KKNT, 960 AM, the Patriot, since August 2013, and is still on the air today. *See* Meluskey Declaration at ¶¶ 16-17. Videos for Meluskey’s program and YouTube channel

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are available dating back to May 2014. The Patriot is owned by Common Ground Broadcasting, Inc., a subsidiary of Salem Media Group, and it broadcasts additional talk radio programs hosted by nationally syndicated hosts including: Dennis Prager, Michael Medved, Mike Gallagher, Hugh Hewitt, Mark Levin, and Seth Leibsohn. Meluskey's decision to host this program, and KKNT's decision to air this program, for nearly two years prior to his candidacy, and his decision to host this program, and KKNT's decision to air this program, after the suspension of his campaign, is based solely on his and KKNT's desire to bring his commentary on political issues and current events to an ever-growing audience of listeners based on his skill and on-air talent. See Meluskey Declaration at ¶¶ 17-18. This claim should be dismissed without further action.

**III. Conclusion**

For the foregoing reasons, the Schutte's Complaint should be dismissed and the Commission should take no further action.

Sincerely,



Trevor M. Stanley

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# EXHIBIT A

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**BEFORE THE  
FEDERAL ELECTION COMMISSION**

Karen Schutte

Complainant,

vs.

Meluskey for U.S. Senate, Inc.

Respondents.

MUR# 7073

Declaration of Alex Meluskey

I, Alex Meluskey, declare under penalty of perjury that the following is true and accurate.

1. I am a business owner who declared his candidacy for United States Senate in the State of Arizona. My mailing address is 23233 N. Pima Road, Suite 113-175, Scottsdale, Arizona 85255. The statements in this declaration are based upon my personal knowledge.
2. On or about August 2013, I began airing a radio program to discuss current events and provide commentary on items of interest to the citizens of Arizona.
3. On March 10, 2015, Meluskey for U.S. Senate, Inc. (the "Meluskey Committee") registered with the Federal Election Commission as my principal campaign committee.
4. On July 31, 2016, I suspended my campaign for the United States Senate.
5. As of the August 15, 2016 Pre-Primary Report filed with the Federal Election Commission, I loaned \$744,273.02 to my campaign. Any additional loans will be reported in the future.
6. All loans to the Meluskey Committee came from my personal assets that I listed on my Financial Disclosure to the United States Senate.
7. The assets I disclosed to the United States Senate include the value of my company, Optimum Graphics USA, LLC, as having a value of between \$1,000,001 - \$5,000,000, annual income from Optimum Graphics USA, LLC between \$1,001 - \$1,000,000, and other annual income of \$225,749.00.
8. As disclosed to the Federal Election Commission in the Meluskey Committee's August 15, 2016 Pre-Primary Report, the loans remain outstanding debt and obligations owed to me by the Meluskey Committee.
9. On October 15, 2015, I refinanced my home as a business decision.

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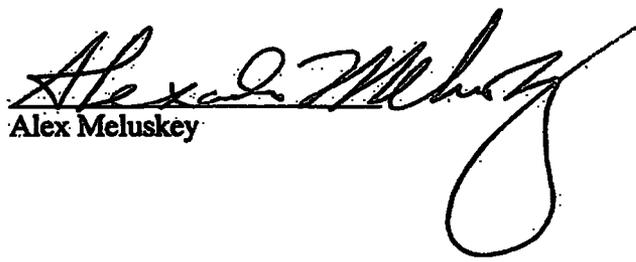
10. Any additional funds I received from the refinancing were for my personal use, not to finance my campaign.
11. The Meluskey Committee disclosed the following payment to Optimum Graphics USA, LLC; an entity owned by me since 1983:

| VENDOR               | DATE       | AMOUNT   |
|----------------------|------------|----------|
| Optimum              | 05/07/2015 | \$1,187  |
| Optimum              | 06/09/2015 | \$1,243  |
| Optimum Graphics USA | 04/18/2016 | \$8,566  |
| Optimum Graphics USA | 04/18/2016 | \$6,303  |
| Optimum Graphics USA | 04/18/2016 | \$9,292  |
| Optimum Graphics USA | 04/21/2016 | \$14,529 |
| Optimum Graphics USA | 04/21/2016 | \$8,773  |

12. Payments made to my company by the Meluskey Committee were paid in the standard billing cycle at fair market rates.
13. Any additional payments to Optimum Graphics USA, LLC will be disclosed on future filings with the Federal Election Commission.
14. I am the Arizona State Director of FAIRtax. The website for that company can be found at <http://fairtax.org/>
15. A founder of that organization, Lori Klein, endorsed my candidacy, and her endorsement can be found at <http://meluskey.nationbuilder.com/klein>.
16. I have hosted a weekly radio program on KKNT, 960, The Patriot, since August 2013.
17. My radio program is still on the air today, and it will be for the foreseeable future.
18. I will continue to air this program to bring my commentary on political issues and current events to an ever-growing audience of listeners based on my skill and on-air talent.
19. FAIRtax has never given me any money to air my radio program.

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Pursuant to 28 U.S.C. § 1746, I declare under penalty of perjury that the foregoing is true and correct.

By:   
Alex Meluskey

Date: August 26, 2016

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